

Reclamation Manual

Directives and Standards

Subject: Real Estate Appraisal

Purpose: Sets forth appraisal procedures and standards to ensure compliance with Federal authorities, establishes directives and standards for written appraisals, and provides a system for resolution of appraisal problems and issues.

Authority: The following authorize this directive.

- ! The Fifth and Fourteenth Amendments to the Constitution of the United States
- ! The Reclamation Act of 1902
- ! The Omnibus Adjustment Act, Sec. 46, 1926
- ! The Uniform Assistance and Real Property Acquisition Policies Act of 1970, (Uniform Act), Public Law 91-646, Title III, implemented by 49 CFR Part 24
- ! Reclamation Reform Act of 1982 (Reclamation Law), Public Law 97-293, Title II, implemented by 43 CFR Parts 426 and 427
- ! Procedures to Process and Recover the Value of Rights-of-Use and Administrative Costs Incurred in Permitting Such Use, 43 CFR Part 429
- ! Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Title XI, Sec. 1101
- ! Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), 1992 edition
- ! Office of Management and Budget (OMB) Circular A-25
- ! Office of Management and Budget Bulletin No. 91-05, Appendix II
- ! Office of Management and Budget (OMB) Bulletin No. 92-06
- ! Uniform Standards of Professional Appraisal Practice (USPAP), 1996 and 1997 editions

Contact: Land, Recreation, and Cultural Resources Office, D-5300

The attached appendices will help the user access information:

- ! Appendix A contains a "Topic Outline"
- ! Appendix B contains further explanation of "Applicable Authorities"
- ! Appendix C contains a "Glossary"

1. **Real Estate Transactions Requiring Appraisals.** In compliance with Federal regulations, appraisals are required for the following types of real estate transactions involving Reclamation-administered lands.

A. **Acquisitions.** Appraisals are required for all of Reclamation's acquisitions, including exchanges and leases. Acquisition appraisals must first comply with the provisions of the

Reclamation Manual

Directives and Standards

Uniform Act and UASFLA. They must also comply with the requirements of FIRREA and USPAP, with the single exception that Federal appraisers need not be State certified unless required by their agency. The provisions of the Uniform Act and UASFLA are dominant to those of USPAP for all acquisition appraisals in Reclamation.

- B. **Disposals.** In compliance with FIRREA, USPAP, and OMB Bulletin No. 91-05 and 92-06, appraisals are required for the disposal of land under the jurisdiction of Reclamation.
 - C. **Exchanges.** Because exchanges involve both an acquisition of non-Federal property and a disposal of public property, exchanges are subject to the same authorities as those cited above for acquisitions and disposals.
 - D. **Rights-of-Use.** In compliance with 43 CFR Part 429.3(a), appraisals are required for all rights-of-use on Federal land. Rights-of-use appraisals are subject to the provisions contained in 43 CFR 429 and OMB Circular A-25.
 - E. **Excess Land Sales.** In compliance with 43 CFR Part 426.12, appraisals are required for all excess lands as a basis for sale price approval by the Secretary of Interior.
2. **Appraisal Process and Approaches.** One or more appraisal approaches and methods shall be used to estimate fair market value. The three basic approaches to value are the Sales Comparison Approach, the Cost Approach, and the Income Approach. Modified versions of these approaches and methods may be developed and used by the appraiser to solve unusual appraisal assignments. The approach or combination of approaches shall be selected which best suits the appraisal assignment and provides the strongest evidence and support for value conclusion. The following directives relate to fair market value, highest and best use, and appraisal approaches and procedures.
- A. **Fair Market Value.** With few exceptions, the basis for Reclamation appraisals is the "fair market value" of the property, as of the effective date of the appraisal (UASFLA, 1992, pp. 3-8). Where title transfer of land and facilities from Reclamation to an entity is authorized by some other Federal authority, a value other than fair market value may be the basis for the transfer and compensation to the United States. Other possible exceptions to this may be recreation concession rates and recreation user fees. The latter which provide special benefits to the general public may be based on considerations not included in 43 CFR 429 and a value other than fair market value.
 - B. **Highest and Best Use.** Fair market value will be determined with reference to the subject property's highest and best use. Ample evidence must be provided to support and substantiate the highest and best use. This will enable the appraiser to testify with

Reclamation Manual

Directives and Standards

sincerity and confidence that the estimated value represents the fair market value of the property, based on market data and information (UASFLA, 1992, pp. 8-11).

C. Three Basic Approaches to Value.

- (1) **Sales Comparison Approach.** Using this approach, a value indication is derived by comparing the property being appraised to similar properties that have recently been sold, applying appropriate units of comparison, and making adjustments to the prices of the comparable sales based on elements of comparison. Comparable sales used in this approach shall be physically inspected and, if possible, shall be confirmed by the appraiser with the buyer, seller, closing agent, broker, or other individuals having direct knowledge of the transaction. Sale prices must be verified to ascertain whether terms and conditions of sales were conventional and occurred under open competitive market conditions. Forced sales, distress sales, sales to a condemning authority, sales between members of a family or closely related business entities, sales involving the exchange of property, and sales after the date-of-taking are either inadmissible or avoided. Although sometimes incorporated in this approach, asking prices for listings are generally considered to reflect the high end of a value range for a particular property and are therefore only occasionally used as a basis for estimating fair market. Certain care should also be exercised when using bank foreclosure sales and estate sales. This approach is the most common and preferred method of valuation when comparable sales data are available.
- (2) **Cost Approach.** This approach to value is derived from the current cost to construct a reproduction or replacement of the improvements, minus the amount of depreciation evident in the structures from all causes, plus the value of the land and entrepreneurial profit. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site and for which there exist no comparable properties on the market.
- (3) **Income Approach.** This approach converts anticipated future benefits or returns in dollars from the ownership of a property into a value estimate. Anticipated future income and or reversions are discounted to a present worth value through the capitalization process. This approach is widely used in appraising income-producing properties.

D. Other Approaches and Procedures.

Reclamation Manual

Directives and Standards

- (1) **Before and After Procedure.** This procedure is principally used to appraise partial acquisitions, disposals, and leases. Just compensation is derived by first estimating the market value of the entire or larger parcel before the transaction and then subtracting from it the estimated market value of the remaining parcel after the transaction, including a consideration of severance damages and special benefits.
 - (2) **Subdivision/Development Approach.** This approach is used to appraise an undeveloped property having a highest and best use for subdivision development (UASFLA, 1992, pp. 25-26). In this approach, an indication of value is derived by first estimating the market values of the total number of lots into which the property would most likely be divided. Development costs, including a reasonable profit for the developer, are then deducted from this value.
 - (3) **Going Rate Method.** Using this method, an indication of value is based on rates being paid by utility companies to private and other entities for rights-of-way or easements on a per foot or rod basis. These rates reflect acquisitions in the same general area as that of the appraised property. If such rates are not available within the locality, market rates from outside the area or even the State can be considered for a particular use. When using this method, the appraiser must make adjustments for differences in the factors of value between markets.
 - (4) **Farm Budget Study.** This method analyzes gross income, expenses, and net income for a farm over a specified period of time. This procedure is used to appraise excess lands. In Reclamation appraisals, it is mostly used to determine highest and best use of excess lands, without reference to project benefits, as either irrigated land or dry land.
3. **Acquisition Appraisals.** Acquisition appraisals will be prepared by staff members or fee appraisers in compliance with the Uniform Act and the UASFLA, supplemented by FIRREA and USPAP. The appraiser must provide written justification in the appraisal for any deviation from the above authorities. Further information is contained in Reclamation's **Land Acquisition** directives and standards.
- A. **Appraisal Exceptions.** In accordance with 24.102(c)(2) of the Uniform Act, an appraisal is not required if:
- (1) The owner is donating the property and signs a release or

Reclamation Manual

Directives and Standards

- (2) The agency determines that an appraisal is unnecessary because the valuation problem is uncomplicated and the fair market value is estimated to be \$2,500 or less, based on the analysis of available data by the appraiser.

B. Data Provided. Prior to performing an acquisition appraisal, the following items and data shall be provided to the appraiser in the request for appraisal services:

- (1) The authority authorizing the acquisition, along with the number to which all costs associated with the appraisal should be charged;
- (2) An environmental survey for hazardous waste sites, required by Departmental Manual 602 DM 2, or a statement indicating when it will be done;
- (3) A legal description and size of the property;
- (4) A tract map (official survey plat) showing the property;
- (5) A title report;
- (6) A description of the estates or interest(s) to be appraised;
- (7) A description of the privileges, rights of property removal, rights of possession, and all other rights reserved by the vendor, the public, or third parties;
- (8) Identification of structures to be provided, replaced, or relocated by the Government; and
- (9) A request to provide an estimate of the salvage value of improvements, if applicable.

C. Contacting the Owner. In accordance with Public Law 91-646, Title III, Section 301(2) of the Uniform Act, the owner of real property to be acquired or the owner's delegated representative shall be given an opportunity to accompany the appraiser during the appraiser's inspection of the property. During the contact, it is important that the appraiser ask about the sale history of the subject property, the locations and ages of subject improvements, current leases of the subject property, and recent comparable sales in the locality. In order to ensure compliance with this requirement of the Uniform Act, the appraiser shall document the following information:

- (1) Description of appraiser's efforts to contact the owner;

Reclamation Manual

Directives and Standards

- (2) Date of contact;
- (3) Place of contact;
- (4) Manner of contact (face-to-face, telephone, regular or certified mail, faxogram, etc.); and
- (5) Owner's or delegated representative's response.

- D. **Sale History of the Subject Property.** All sales of the subject property within 10 years of the date-of-taking will be included in the appraisal. If it has been sold within 10 years of the date-of-taking, the latest sale of the subject property will be included, along with a statement regarding adjustments and its relevancy to the analysis of value of the subject property (UASFLA, 1992, pp. 17 and 71).
- E. **Relocation Benefits.** Relocation benefits are not to be considered or included in the appraisal of a property to be acquired.
- F. **Hazardous Waste Materials.** The appraiser shall state in the appraisal whether or not there is a discovery (through disclosure, observation, or research) of possible presence of hazardous waste materials or contamination of the area. If such a possibility exists, the appraiser shall immediately report it to management or the appropriate staff specialist in the Regional or Area Offices.
- G. **Flood Hazard Area.** The appraiser must state in the appraisal if the property is located in a flood hazard area or zone. If so, an explanation of the effect on value must be included.
- H. **Change in Acquired Area.** If it is determined a greater or lesser area must be acquired from a particular parcel than was indicated in the appraisal, an authorized official may proceed with purchase contracts for greater or lesser area at the unit prices approved in the appraisal. If the changes significantly affect the overall valuation, it may be necessary for the appraiser to make major revisions in the appraisal or even to reappraise the property.
- I. **Partial Acquisition Appraisals.** When preparing a partial acquisition appraisal, the appraiser shall comply with all of the authorities cited above for an acquisition appraisal. For detailed information regarding partial acquisitions, refer to the UASFLA (1992, pp. 28-35).

Reclamation Manual

Directives and Standards

- (1) The measure of compensation for a partial acquisition is the loss in market value to the remaining property resulting from the partial acquisition. The estimate of compensation in partial acquisitions is usually based on a "before" and "after" method, including consideration of severance damages and special benefits. Unless instructed otherwise in writing, the estimated "before" value of the larger parcel must exclude any effect of the project. The estimated "after" value shall consider any loss or diminution in value to the remaining property caused by the acquisition, including such things as size reduction, less favorable shape, impaired access, more costly to operate or farm, improvement losses, crop damage, etc. Just compensation to the owner is the difference between the "before" and "after" estimates of value.
- (2) Where a relatively small part of a larger parcel is to be acquired, the "before" and "after" method may be waived if the use of this method results in excessive appraisal costs relative to the value of the estate to be acquired or when it imposes costly and difficult burdens on appraisers and on the courts.
- (3) Partial acquisition appraisals will include, but are not limited to, the following:
 - (a) Legal description and size of the larger parcel, the parcel to be acquired, and the remainder;
 - (b) Highest and best use, both before and after the acquisition;
 - (c) Effects on access (vehicular, farm equipment, livestock, etc.) after the acquisition;
 - (d) Changes in shape which affect use, marketability, and market value resulting from the acquisition;
 - (e) Cost-to-cure items, such as fencing, water supply, bridges, culverts, and other structures or facilities not provided by the Government;
 - (f) Severance damages and/or special benefits to the remaining property;
 - (g) Facilities to be provided, replaced, or relocated by the Government; and
 - (h) Interests retained by the owner which may affect the value of the remainder.

J. **Appraisals for Filing a Condemnation.** If unsuccessful in acquiring a property by direct purchase, based on the initial appraisal, it may be necessary for Reclamation to file

Reclamation Manual

Directives and Standards

for condemnation. In this event, the appraisal(s) accompanying the condemnation file will be completed as near as practical to the date of filing.

K. Date-of-Taking Appraisals. Although the appraisal for filing a condemnation may be used as the date-of-taking appraisal, the Department of Justice may request an additional appraisal be performed by an appraiser selected to testify as the Government's expert witness. A date-of-taking appraisal requires that the appraiser comply with the same authorities, as those cited above for an acquisition appraisal. The following requirements apply to date-of-taking appraisals.

- (1) Although previous appraisals for acquisition or condemnation have been prepared by an appraiser(s) and approved by a review appraiser(s), a date-of-taking appraisal can be acquired by Reclamation or by the U.S. Attorney's Office.
- (2) A property shall be valued as of the date-of-taking or as near that time as possible (UASFLA, 1992, p. 8).
- (3) The date-of-taking appraisal shall be made by an appraiser who is acceptable to the U.S. Attorney's Office having jurisdiction over the case (UASFLA, 1992, p. 92).

L. Appraisal of Easements. Appraisals for the acquisition of temporary and perpetual easements by Reclamation must comply with the same authorities as those cited above for acquisition appraisals. For more detailed information, refer to UASFLA (1992, pp. 56-58 and 98-99). With the exception of simple appraisal problems involving low-value properties which can be performed by appraisal technicians, appraisals of temporary and permanent easements shall be performed by qualified staff or fee appraisers. The following information applies to temporary and permanent easements.

- (1) **Temporary Easement.** If data are available, appraisals of temporary easements are based on fair market rental values for similar properties in the area. Appraisals can also be based on a percentage of fee simple value. The percentage factor to be used will depend on the type of use and the appraiser's judgement of it's impact on the value of the remaining parcel. If the market does not reveal the percentage factor to use, the rate of a 30-year treasury bond can be adopted as a reasonable rate of return. The term-of-use will be stated by the requesting official, in consultation with responsible representatives in the Region or Area Offices.
- (2) **Perpetual Easement.** Appraisal of perpetual easements are based on fair market value of the acquisition, including possible severance damages and cost-to-cure measures. The combination of a sales comparison approach and a "before" and "after" method are generally used to reflect the diminution in value as a result of

Reclamation Manual

Directives and Standards

the acquisition or after the issuance of an easement. Some of the same procedures and techniques, described above for the appraisal of temporary easements, can also be employed in the appraisal of perpetual easements.

M. Appraisal of Leasehold Interests. The acquisition of leasehold interests by Reclamation must comply with the same authorities as those cited above for acquisition appraisals. For more detailed information, refer to UASFLA (1992, pp. 52-56 and 99-100). When performing appraisals of leasehold interests, the following considerations and conditions generally apply:

- (1) Leasehold interests are usually acquired by Reclamation as part of a fee acquisition of a property having an existing leasehold.
- (2) If the land being appraised is leased and the acquisition requires termination or modification of a lease, the value of the leasehold estate shall be estimated.
- (3) When the Government acquires a leasehold estate, whether by voluntary lease or condemnation, the proper measure of a leasehold value is the fair market rental value of the occupied premises for the remainder of the term specified in the lease.
- (4) The estimated fair market value is based on the rental income that the appraised property would most probably command on the open market, as of the effective date of the appraisal.
- (5) The fair market rental value is to be determined as though the property is an unencumbered whole and without regard to any subsidiary interests into which it may be divided.
- (6) The owner of a leasehold interest will generally receive just compensation for the fair market value of the leasehold and for the value of any crop losses incurred by the lessee as a result of the acquisition.
- (7) If possible, the appraiser must report the historical rental or lease history of the subject property for at least the past 3 years.
- (8) All current leases shall be reported, including, but not limited to, the following:
 - (a) Date of the lease;
 - (b) Name of the tenant;

Reclamation Manual

Directives and Standards

- (c) Size of the lease (acres, square feet, etc.);
 - (d) Rental amount (cash, crop share, etc.);
 - (e) Term of the lease;
 - (f) Parties responsible for various direct and indirect costs or expenses; and
 - (g) Any other pertinent lease provisions and/or information.
- (9) The appraiser shall state his/her opinion as to whether any existing lease of the property represents the property's current market or economic rent, and, if not, the reasons for the appraiser's conclusion (UASFLA, 1992, p. 71).
- (10) In compliance with Federal regulations and standards, lessees shall also be compensated for their investment in land and building improvements on the property.
- (11) The mere existence of a leasehold interest does not necessarily result in compensation to the leaseholder.

N. **Appraisal of Improvements.** When an acquisition of a property in fee includes improvements appurtenant to the subject land, the appraiser must comply with the same authorities as those cited above for acquisition appraisals. For more detailed information, refer to UASFLA (1992, pp. 7, 8, 17, 18, and 70). The following directives and standards apply to the appraisal of improvements.

- (1) Structural facilities and/or land improvements shall be appraised based on their contribution to the value of the property being appraised. The estimated value shall not exceed the utility or contributory value of the improvements to the appraised property.
- (2) The preferred method for appraisal of a property with improvements is by comparison with sale properties having comparable improvements.
- (3) The fair market value of unique properties which are not generally traded in the open market and, therefore, lack sales with comparable improvements, can be estimated using the cost approach.

Reclamation Manual

Directives and Standards

- (4) Appraisals of structural improvements which have no utility and are retained and removed by the owner from the project site, shall be based on their salvage value [49 CFR 24.102(6)(c), 1993], unless instructed otherwise by the Solicitor's Office.

O. Appraisal of Growing Crops and Crop Damages. With some exceptions, the appraisal of growing crops and crop damages must comply with the same authorities as those cited above for acquisition appraisals. For more detailed information, refer to the UASFLA (1992, p. 7). The following directives apply to the appraisal of growing crops and/or crop damages.

- (1) It is the policy of the United States to compensate an owner for any crop damages caused by project construction and operation and maintenance, regardless of whether the land is acquired by purchase, donation, or condemnation. In most instances, crop damages occur after acquisition and, therefore, are often appraised and paid separately from the acquisition appraisal of the land and improvements.
- (2) Crop damages are typically sustained by landowners and/or operators of land served by or being acquired by Reclamation. Depending on the circumstances and the stage of crop growth, crop damages will vary from the reimbursement of crop expenses to the date of the damage when there is little or no crop growth to paying for a mature crop, less expenses not incurred for crop production as of the date of the damage.
- (3) The appraisal shall include the value of crop production loss, plus costs associated with settling and leveling the damaged land, soil improvements, and crop reestablishment.
- (4) Crops are to be considered in an acquisition appraisal only to the extent that they enhance the fair market value of the property to be acquired. Appraisals estimating the crop damages can be prepared by qualified staff appraisers or fee appraisers.
- (5) When a property to be condemned has immature crops growing on it, the following general considerations and procedures apply:
 - (a) Estimate the yield per acre that would be harvested if the crops were allowed to mature;
 - (b) Estimate the value of the crops as if they were mature on the date of acquisition or destruction;

Reclamation Manual

Directives and Standards

- (c) Deduct all costs that the owner hasn't incurred in producing, cultivating, harvesting, and marketing the crops from the value of the crops; and
 - (d) The value of annual crops will be based on the actual or estimated production and unit prices of the crops on the remaining field, if available.
- (6) When damages occur to permanent plantings on property outside the take area, or is within a temporary easement, the value of the permanent planting shall be based on the cost to establish a new stand (including soil preparation), the additional costs to bring the new stand into production, and the loss of net income until new production is at a comparable level to the existing crop stand. Costs and net income losses projected for the years not in production will be discounted to present worth values.
- (7) If title is being acquired by condemnation, full information regarding crop damages will be forwarded to the appropriate U.S. Attorney's Office.

P. Appraisal of Timber, Minerals, and Materials. Appraisals for the acquisition of a property with timber, mineral, construction material, and oil and gas resources must comply with the same authorities as those cited above for acquisition appraisals. However, valuation assistance may be provided by specialists who are not necessarily Certified General Appraisers. If the services of such an individual are utilized or sub-contracted, the appraiser is still responsible for how the information provided by the non-appraiser expert is used and presented in the appraisal process. For more detailed information, refer to the UASFLA (1992, pp. 23-25). The following directives and standards apply to these appraisals.

- (1) In such appraisals, it may be necessary to acquire or subcontract the consulting services of individuals who are specialists in their specific fields, such as foresters in the appraisal of commercial timber and geologists or petroleum engineers in the appraisal of oil and gas. These individuals may or may not be State Certified Appraisers, and may employ methods, procedures, and standards which are common to valuations within their own industry.
- (2) Valuations of these interests can also be prepared by specialists from other Federal Agencies or from private consulting firms. For example, appraisals of minerals and oil and gas can be performed by geologists from the Bureau of Land Management, while timber appraisals can be performed by foresters from the Forest Service. Government appraisers who are specialists through training and experience in appraising minerals, timber, or construction materials can be used, if available and qualified.

Reclamation Manual

Directives and Standards

- (3) The rights and interests to explore, develop, and produce minerals, including oil and gas, can be acquired in fee or can be subordinated to the needs of the project, thus restricting exploration and development activities. An appraisal of the subordination of these rights and interests must consider the constraints placed upon the owner with regard to exploration, development, and production.

Q. Appraisal of Water Right Acquisitions. The acquisition of water rights will be appraised in compliance with the same authorities as those cited above for acquisition appraisals. When acquiring water rights, the following directives apply:

- (1) Reclamation acquires storage and/or natural flow water for specific purposes by purchase of permanent water rights, leasing, or dry year options (options to use water for certain seasons over a period of time).
- (2) Only established and legally approved water rights are to be appraised and acquired.
- (3) Typically, such water rights are only acquired from voluntary sellers.
- (4) An appraisal shall be performed to estimate the fair market value of water rights.
- (5) The appraisal shall be prepared by an appraiser knowledgeable in water rights appraisals.
- (6) The most common method to appraise acquired water rights is the sales comparison approach of irrigated and non-irrigated land sales, along with a "before" and "after" method of valuation. Irrigated land sales with water rights are used to estimate the fair market value of the property in the "before" condition, while dry land sales without water rights are used to estimate the fair market value in the "after" condition.
- (7) If water rights are bought and sold in the open market in the area, then such sales will be considered in the appraisal. They may be used as supporting data or in lieu of the "before" and "after" method.
- (8) The appraiser must consider the salvage value of any irrigation equipment which is no longer needed in the "after" condition.
- (9) The appraiser must consider the ownership and rights to be acquired and the sales in terms of the same use, a different use, and/or a change of use. The value may change significantly as the use changes and is legalized.

Reclamation Manual

Directives and Standards

- (10) Values of water rights shall not be established by negotiations or by economic determinations not common in market established acquisitions.
- R. **Appraisal of Water Right Leases.** The value of leasing of water rights shall be established by comparing recent water leases that have occurred in the market place to those of the property being appraised. The value of leasing water shall not exceed the combined value of leasing both the land and water.
4. **Disposal Appraisals.** Because disposals represent a form of real estate transaction, disposal appraisals shall comply with USPAP, OMB Bulletin Nos. 91-05 and 92-06, and OMB Circular A-25. With the exception of simple appraisals of low-value properties, disposal appraisals shall be prepared in written form by a qualified appraiser. The appraiser must provide written justification in the appraisal for any deviation from the above authorities.
5. **Exchange Appraisals.** Because an exchange is a form of real estate related transaction which involves both an acquisition of non-Federal property and a disposal of Federal property, Reclamation shall comply with the provisions of the Uniform Act, UASFLA, FIRREA, and USPAP. In compliance with the above authorities, a written appraisal by a qualified appraiser is required for all Reclamation exchanges. The estimated fair market values of the offered (Federal) and selected (non-Federal) lands and improvements will serve as a basis for the exchange of property. The appraiser must provide written justification in the appraisal for any deviation from the provisions of these authorities. If the estimated market value of the public lands exceeds that of the lands to be acquired, then a cash settlement for the difference must be paid to Reclamation.
6. **Rights-of-Use Appraisals.** Easements, leases, licenses, and permits are issued for non-Federal use of Reclamation-administered lands. All rights-of-use must comply with the provisions of Title 43 CFR 429, as amended and supplemented, and OMB Circular A-25. Any deviation from this authority requires written justification by the appraiser in the report. In compliance with these authorities, all rights-of-use appraisals shall be performed by qualified appraisers.
- A. **Fair Market Value.** The appraisal of rights-of-use will be for the fair market value of the requested right(s) or privilege(s). The right-of-use of will be based on fair market value, plus any diminution and/or enhancement in value to the remainder, using a "before" and "after" method or any other approved appraisal method.
- B. **Appraisal Forms.** When appropriate, a short-form appraisal or a memorandum of value can be used for simple appraisals of low-value easements, leases, licenses, and permits. Refer to the criteria for the use of short-form appraisals and memorandums of value cited

Reclamation Manual

Directives and Standards

below in 8D(2) and (3). Such appraisal reports must include, but are not limited to, the following:

- (1) Identification of the property, including legal description and size;
- (2) Highest and best use analysis;
- (3) Effects on value of the terms and conditions of the easement, lease, license, or permit;
- (4) Basis of valuation, including approaches and procedures;
- (5) Analysis of market data;
- (6) Opinion of value; and
- (7) Certification, appraiser's signature, and date.

C. **Easement Appraisals.** The fair market value of easements will be estimated using accepted appraisal methods. Easement appraisals are subject to the same authorities and standards as those cited in 6. above. The following directives and standards apply to the appraisal of easements.

- (1) The property shall be appraised at its highest and best use considering the most logical zoning if it were in private ownership, including the effect of any existing or proposed Government projects.
- (2) The appraiser shall consider the effect of any proposed construction on the property and the condition of the property after granting the easement.
- (3) Discussion of planned construction and maintenance operations shall be included, along with any effects on the value of the remaining property.
- (4) The estimate of compensation for an easement is the difference between the value of the whole parcel without the easement ("before" condition) and the value of the remainder subject to the easement ("after" condition).
- (5) The appraiser's rationale for easement value shall be explained, considering any rights-of-use the Government retains in the easement area.

Reclamation Manual

Directives and Standards

D. **Lease Appraisals.** Lease appraisals are subject to the same authorities and standards as other rights-of-use, discussed above. The following directives and standards apply to the appraisal of leases.

- (1) Leases will be appraised by comparing rents for properties similar to the Government's property. The appraiser will consider differences in the terms of the market leases and the proposed lease and other factors of comparability that may affect the rental rate.
- (2) In the absence of comparable leases of similar-type properties, a reasonable rate of return on fee value will be used to estimate the fair market rent for a lease. The percentage rate of return must be consistent with that received by investors for similar types of property, such as cropland, grazing, residential, commercial, industrial, etc. If market rates of return are not available, the rate being paid on 30-year Treasury bonds and/or rates on other money market instruments for the term of the lease can be used. Rates of return received by State and other Federal agencies for similar types of property leases or permits may also be used as a basis for estimating reasonable rates of return and the value of the rights-of-use.

E. **License Appraisals.** License appraisals are subject to the same authorities and standards as those cited above for other rights-of-use. The fair market value or fee charged for a right-of-use license is calculated using the same methods and procedures as those cited above for other rights-of-use.

F. **Permit Appraisals.** Permit appraisals are subject to the same authorities and standards as those cited above for other rights-of-use. The fair market value for a permit is calculated using the same methods as those described for other rights-of-use. Permits will be appraised using comparable market data to reflect fair market value for the right-of-use. The following directives apply to various types of permit appraisals:

- (1) Permits for removal of timber, sand, gravel, or other construction materials are appraised by comparing them with market rates for similar materials being sold from comparable sites in the area. The appraiser must consider such things as: conditions of the permit, distance of the haul, quality of the material, condition of the property at the expiration of the permit, and other related factors affecting rates.
- (2) Livestock grazing permits shall be appraised based on rates being paid for similar private, State, and other Federal permits. When grazing permits are offered on a competitive bid basis, the

Reclamation Manual

Directives and Standards

estimated market value in the approved appraisal will set the amount of the minimum acceptable bid.

7. **Excess Land Appraisals.** Excess land appraisals must comply with the requirements of 43 CFR 426, as amended or supplemented. The appraiser of excess lands must also comply with USPAP and any deviation from these standards requires written justification in the appraisal. These authorities require a written appraisal and review by qualified appraisers.
 - A. **Valuation of Excess Lands.** All appraisals of excess land and excess land burdened by a deed covenant will be based on the fair market value of the land at the time of appraisal without reference to the construction of the irrigation works. The estimated fair market value of the improvements are then added to the estimated fair market value of the land to establish the approved excess land sale price.
 - (1) Standard appraisal procedures including the comparable sales, income, and cost approaches will be used, as applicable, to estimate the fair market value of the excess land and improvements [43 CFR 426.13(b)(1) and (2), 1996].
 - (2) Improvements will be appraised on the basis of their contribution to the fair market value of the property, as of the date of the appraisal, using standard appraisal procedures.
 - B. **Highest and Best Use Without Reference.** Prior to the actual appraisal, the appraiser must determine the highest and best use of the excess lands "without reference" using a farm budget analysis or study. The highest and best use of excess lands "without reference" shall be classified as one of the following:
 - (1) **Land With Potential Use Other Than Agriculture.** This includes land suitable for residential, commercial, industrial, recreational, or some other non-agricultural use or development;
 - (2) **Land Without a Non-Project Water Supply.** This includes non-irrigated grazing land, cropland, desert land, etc.; or
 - (3) **Land With a Non-Project Water Supply.** This includes cropland irrigated by groundwater or some other non-project source of water.
 - C. **Valuation of Improvements on Excess Lands.** All improvements on excess lands will be appraised on the basis of their contribution to the value of the subject, as of the date of the appraisal. Improvements include above-ground structures, such as buildings, fences, ponds, domestic well, septic system, etc.; land improvements such as leveling and

Reclamation Manual

Directives and Standards

other land preparation and soil treatment; permanent irrigation systems, such as wells and ditches; perennial crops, such as alfalfa, asparagus, permanent pasture, etc.; permanent plantings, such as orchards and vineyards. The following guidelines are applicable to the appraisal of orchards and vineyards.

- (1) Whenever the subject has mature trees or vines, a market data residual will be provided to estimate the contribution of the plantings to the total value of the property. Sales of irrigated cropland from within the subject's water district or from a similar nearby district shall be used.
- (2) If the trees or vines are young and there are no data (sales or rents) available, the cost approach can be used to estimate the contribution to value of the trees or vines. The cost approach must include all applicable depreciation.

D. **Other Appraisal Items.** An excess land appraisal request may include other items, such as equipment, annual crops, personal property, or other miscellaneous items. If an appraiser of excess land is not qualified to make a value conclusion relative to some of the above items, an independent, supplemental appraisal will be required by an individual acceptable to Reclamation. These supplementary valuations are subject to review and approval by a qualified reviewer, usually a Staff Appraiser.

E. **Assumptions.** The appraiser will include the following assumptions in the appraisal report:

- (1) Data, drawings, surveys, legal descriptions, and acreage supplied by Reclamation are correct unless otherwise noted and explained in the report; and
- (2) Data pertaining to the non-project water pumping lift, the groundwater depletion rate, surface water supplies, and water quality are correct.

F. **Lease Data.** If leased land is part of the sale, a copy of each lease and the assignment thereof shall be included in the appraisal. If the appraiser considers the leasehold to have value, the appraisal will set forth the estimated value of such leasehold, along with all supporting data.

8. **Documentation and Reporting Standards.** Appraisal preparation, documentation, and reporting by Reclamation shall comply with the provisions of the Uniform Act, UASFLA, FIRREA, and USPAP. The Uniform Act and UASFLA provide the basic principles and standards by which to prepare Reclamation's appraisal reports. Although some deviation from UASFLA is sometimes permitted in order to solve a particular appraisal problem, as a general rule, Reclamation shall follow and comply with these standards. Any deviation from

Reclamation Manual

Directives and Standards

these standards must be fully explained and supported in the appraisal. The following directives and standards apply to documentation and reporting standards.

- A. **Written Appraisals and Reviews.** Reclamation's appraisals and reviews must be prepared in written form and must be certified, endorsed, and dated by the appraiser.
- B. **Amount of Detail.** Appraisals shall contain sufficient documentation, including valuation data and justification to support the appraiser's opinion of value and enable the reviewer to pass informed judgment as to their completeness, soundness, and reasonableness. The appraiser must first consider the complexity of the appraisal assignment, the property interests being appraised, the type of appraisal being performed, and then decide the level of documentation considered appropriate to the specific appraisal assignment.
- C. **Documentation Assistance.** Although Reclamation is to follow UASFLA and USPAP, upon request, assistance will be provided by the Chief Appraiser, a Regional Appraiser, or the local Solicitor's Office.
- D. **Levels of Documentation.** Reclamation has three basic levels of appraisal documentation – the detailed appraisal, the short-form appraisal, and the memorandum of value. The appraiser shall decide which of these forms to use for a particular appraisal assignment. Although Reclamation's detailed and short-form levels of documentation are similar to the self-contained and summary reports of USPAP (1997, Advisory Opinion AO-11, pp. 117), they are not the same. Of the appraisals prepared by and for Reclamation, the detailed report is most often used and has the greatest level of detail and supporting evidence, followed in order by the short-form appraisal and the memorandum of value.
 - (1) **Detailed Appraisal.** Content and reporting standards for Reclamation appraisals shall comply with the Uniform Act [49 CFR 24.103(a)(1)–(6)] and the Uniform Appraisal Standards (1992, pp. 64-83). According to the Uniform Act, a detailed appraisal shall be prepared for acquisitions to reflect nationally recognized appraisal standards of the Uniform Appraisal Standards and USPAP. Because UASFLA is dominant to USPAP, the provisions of USPAP (pp. 17-25) are considered to be supplementary to those of UASFLA.
 - (a) These appraisals contain the most detailed documentation including, but not limited to, the following:
 - ! Effective date of the appraisal
 - ! Limiting conditions and assumptions

Reclamation Manual

Directives and Standards

- ! Legal descriptions and sizes of the subject property and comparable sales
- ! Existing leases
- ! Subject-sales location map
- ! Photographs of the subject property and comparable sales
- ! Neighborhood analysis
- ! Owner contact, if applicable
- ! Hazardous waste survey, when available
- ! Land use zoning
- ! Ten-year sale history of the subject
- ! Highest and best use analysis
- ! Approach(es) to value
- ! Comparable sale sheets, including information regarding confirmation of sales (e.g., confirmed by whom, with whom, when, etc.)
- ! Other relevant market data
- ! Factor of value comparisons and adjustments
- ! Data analysis
- ! Severance damages and special benefits
- ! Reconciliation of value between the approaches used
- ! Opinion of value
- ! Certification, appraiser's signature, and date
- ! Appraiser's qualifications and experience

- (b) With the exception of simple appraisals of low-value properties, easements, and rights-of-use, detailed appraisals are required for most of the following real estate related transactions: acquisitions, condemnations, disposals, exchanges, and excess land sales.

- (2) **Short-Form Appraisal.** Short-form appraisals must comply with the same authorities as those cited in 8. above.

- (a) Although only a summary of important market data and analysis is required in short-form appraisals, there must be enough information and data to allow the reviewer to make an informed judgment as to the reasonableness, validity, and accuracy of the appraisal and estimated value. Short-form appraisals shall include, but are not limited to, the following:

- ! Effective date of the appraisal
- ! Subject-sales location map
- ! Photographs of the property and comparable sales
- ! Legal descriptions and sizes of the property and comparable sales

Reclamation Manual

Directives and Standards

- ! Hazardous waste survey, when available
- ! Land use zoning
- ! Owner contact, if applicable
- ! Ten-year sale history of the subject
- ! Highest and best use analysis
- ! Approach(es) to value
- ! Opinion of Value, including a brief explanation of data/evidence to support the opinion of value
- ! Certification, appraiser's signature, and date

- (b) Short-form appraisals are often used for simple appraisals of low-value properties, easements, and rights-of-use.
- (c) Sale index sheets can be included in the appraisal or retained in a separate case file for possible future reference or use.

- (3) **Memorandum of Value.** Although subject to the same authorities as those for detailed and short-form appraisals, memorandums of value contain the least amount of detail of the three levels of documentation and reporting. Memorandums of value are most often prepared for simple appraisals of low-value properties, easements, and rights-of-use. Memorandums of value shall include, but are not limited to, the following:

- (a) Effective date of the appraisal;
- (b) Legal description and size of the property;
- (c) Highest and best use of the property;
- (d) Owner contact, if applicable;
- (e) Ten-year sales history of the property, if applicable;
- (f) Approach(es) to value;
- (g) Opinion of value, along with a brief explanation of the rationale or justification to support the opinion of value; and
- (h) Certification, appraiser's signature, and date.

Reclamation Manual

Directives and Standards

E. **Appraisal Reporting Standards.** Reclamation's appraisals must comply with the following reporting standards (Uniform Appraisal Standards, 1992, pp. 63-86 and USPAP, 1997, Standard 2, pp. 17-25):

- ! Not be misleading
- ! Contain sufficient information to be understood by the person(s) who receives or relies on the report
- ! Disclose any extraordinary assumptions or limiting conditions that directly affect the appraisal and indicate its impact on value
- ! Identify and describe the real estate being appraised
- ! Identify the real property interest being appraised
- ! State the purpose of the appraisal
- ! Define fair market value or other type of value to be estimated
- ! State the effective date of the appraisal and the date of the report
- ! Set forth the appraisal report option being used
- ! Describe the extent of the process of collecting, confirming, and reporting data
- ! Set forth the appraiser's opinion of highest and best use of the property
- ! Set forth the information considered, the appraisal procedures used, and the reasoning or justification that supports the analyses and opinion of value
- ! Explain and support the exclusion of any of the basic valuation approaches
- ! Set forth any additional information to clearly explain departures from the Uniform Appraisal Standards and USPAP
- ! Reconcile the differences between the approaches of value used
- ! Set forth the estimated fair market value in terms of a specific dollar amount
- ! Certification, appraiser's signature, and date
- ! Appraiser's qualifications and experience

9. Initial, Multiple, and Approved Appraisals.

- A. **Initial Appraisals.** As a general rule, initial or first appraisals of land parcels will be performed by staff appraisers. If staff appraisers are unavailable to perform such appraisals in a timely and efficient manner, management can alternatively contract these appraisals with fee appraisers.
- B. **Multiple Appraisals.** If the initial appraisal is not approved by the reviewer, then either the reviewer may revise the appraisal and estimated value (in which case the reviewer becomes the appraiser) or another appraisal will be required by a different appraiser.
- C. **Approved Appraisal.** An approved appraisal must be obtained prior to any action by Regional or Area Offices. Complex appraisals of relatively unique or valuable properties or other prevailing circumstances may require more than one appraisal.

Reclamation Manual

Directives and Standards

10. **Updating Appraisals.** For specific standards and information for updating appraisals, refer to the Uniform Act [1993, Sec. 24.102(g)], UASFLA (1992, pp. 87-88), and USPAP (Advisory Opinion AO-3, 1997, pp. 99-100). The following directives and standards are to be followed when updating appraisals:
 - A. When market conditions have changed and the approved appraised value no longer reflects the fair market value as of the date-of-taking or disposition, it will be necessary to update the appraisal.
 - B. Updates may take any one of the following forms: a completely new appraisal, a supplement to an earlier appraisal, or a memorandum with an opinion of value by either the original appraiser or by the reviewing appraiser familiar with the property. The memorandum will briefly state the appraiser's familiarity with the subject's market area and provide an explanation of the reasons for the estimated change in value since the original appraisal.
11. **Technical Review of Appraisals.** Prior to any action by a Regional or Area Office, there must be a written appraisal and a written review for most of Reclamation's real estate transactions. The minimum requirements for review of an acquisition appraisal are covered in 49 CFR 24.104. The review requirements for all other types of appraisals are covered in Standard 3 of USPAP (1997, pp. 27-29). These standards shall be carefully followed by the review appraiser.
 - A. **Review Appraiser.** With the exception of condemnation appraisals, the Regional Appraiser will normally serve as the Region's review appraiser. However, if a Region does not have a Regional Appraiser or the Regional Appraiser is not available, the Regional Director, in consultation with the Chief Appraiser, may designate another qualified staff member as a review appraiser. The Chief Appraiser or a Regional Appraiser from another Region may also serve as a Region's review appraiser. Due to a possible conflict of interest a review appraiser cannot review and approve an appraisal report and also negotiate a settlement on the same property. The following directives apply to various types of reviews.
 - (1) **Reviews of Condemnation Appraisals.** All condemnation appraisals shall first be reviewed by the Regional Appraiser and then be submitted to the Chief Appraiser or the Chief Appraiser's delegated representative for final review and approval, prior to any action by a Regional or Area Office. This delegation of review authority must be written, identify the appraisal(s) to be reviewed, and be endorsed and dated by the Chief Appraiser.

Reclamation Manual

Directives and Standards

- (2) **Reviews of All Other Appraisals.** With the exception of appraisals for condemnation purposes, all other appraisals – disposal, exchange, right-of-use, and excess land appraisals – shall be reviewed and approved by the Regional Appraiser or other designated review appraiser, prior to any action by Regional or Area Offices.
- (3) **Reviews of Appraisals Prepared by Regional Appraisers.** Appraisals prepared by Regional Appraisers shall be submitted to the Chief Appraiser or the Chief Appraiser's delegated representative for review and approval, prior to any action by Regional or Area Offices.
- (4) **Reviews of Appraisals Used to File for Condemnation.** Appraisals used to file for condemnation shall first be reviewed by the Regional Appraiser or other designated review appraiser and then be submitted to the Chief Appraiser for final review and approval, prior to being sent to the Department of Justice through the Solicitor's Office. Among other things, the review appraiser will:
 - (a) Examine appraisals for strengths and weaknesses the Government may use to reach settlements or develop testimony; and
 - (b) Explain appraisals to attorneys, assist with deposition and question preparation, and testify in court as expert witnesses.
- (5) **Reviews of Date-of-Taking Appraisals.** Date-of-taking appraisals shall be reviewed in accordance with 11 and 11A, above. Upon completion of the review, the appraisal and review will be submitted to the Department of Justice.
- (6) **Reviews of Multiple Appraisals.** Where multiple appraisals of a single property have been prepared by different appraisers, it will be the reviewer's responsibility to determine and approve the appraisal which is judged to be most acceptable, accurate, and reliable.

B. Review Process. Review appraisers analyze appraisal reports to ensure property values are estimated accurately, logically, and objectively, and have adequate supporting data and evidence. Reviewers also check appraisals for completeness and compliance with Federal regulations, industry standards and practices, and contract specifications. Reviewers must be independent of any outside influence and be responsible for their review conclusions.

- (1) **Documenting the Review.** The reviewer will prepare a written review indicating the scope of the review and significant information discovered during the review.

Reclamation Manual

Directives and Standards

The format of each review will be adapted for the particular appraisal and/or office. At a minimum, the review will contain the following information:

- (a) Identification of the property, including tract number and/or name of the property owner;
 - (b) Legal description and sizes of the larger parcel and the parcel to be acquired;
 - (c) Name of the appraiser;
 - (d) Date of the review;
 - (e) Reasonableness of the highest and best use;
 - (f) Reliability of the approaches, methods, and procedures used to estimate value;
 - (g) Completeness and soundness of the data and analysis;
 - (h) Validity of the value estimate;
 - (i) Additional data and information discovered during the review;
 - (j) Full explanation for approval or disapproval; and
 - (k) Certification, reviewer's signature, and date.
- (2) **Field Inspections.** As a part of the review process, the need for field inspections of the appraised property and comparable sales shall be determined by the reviewer on a case-by-case basis. After receiving an appraisal, the reviewer will perform a desk review and determine whether a field inspection is advisable or necessary to be able to judge and evaluate the soundness of the appraisal and the reasonableness of the value estimate. This often depends on such things as: the type and nature of the appraisal, the complexity of the appraisal problem, findings from the desk review, the monetary value of the appraised property, potential for litigation, etc. Although appraisals are often field inspected by the review appraiser, simple appraisals and appraisals of low-value properties, easements, and rights-of-use may not require field inspections.
- (3) **Contacting the Appraiser.** After review of the appraisal and prior to documentation in the review of errors, omissions, and weaknesses in the appraisal, the reviewer shall discuss any concerns with the appraiser in order that the

Reclamation Manual

Directives and Standards

appraisal may be corrected and/or revised. The purpose of this discussion is to improve the overall quality, accuracy, and completeness of the appraisal consistent with Federal regulations and standards, not to attempt to influence the appraiser to involuntarily change his appraisal or valuation.

- (4) **Approval or Disapproval.** If the appraisal is complete and the property value has been estimated objectively, logically, and accurately based on supporting market data and evidence, the reviewer will approve the appraisal and estimated value. However, if the appraisal is unacceptable to the reviewer, then one of the following conditions must occur:
- (a) The originating appraiser must correct obvious mistakes, such as mathematical errors;
 - (b) The originating appraiser must explain or justify estimates, submit additional information, or complete another appraisal or a supplement to the appraisal;
 - (c) The review appraiser modifies the appraisal, in which case the review appraiser becomes the appraiser and the appraisal is then submitted to the Chief Appraiser or his delegated representative for review; or
 - (d) The reviewer rejects the appraisal stating the reasons for the disapproval. Another appraisal must then be prepared by a different appraiser.
- (5) **Reviews of Short-Form Appraisals and Memorandums of Value.** Reviews of short-form appraisals and memorandums of value shall include, but are not limited to the following: identification of the subject property by parcel/tract number and/or by name of the owner; date of the review; legal description; size of the subject property (before and after, if applicable); approval or disapproval of the highest and best use, approach, data, analysis, and estimate of value; and certification, reviewer's signature, and date.
- (6) **Legal Reviews.** Legal reviews of appraisals are not required unless new or novel appraisal problems are encountered. If such problems should occur, there will be consultation with the appropriate representatives of the Solicitor's Office in the area in which the property is located.
12. **Selection of Appraisers.** According to UASFLA (1992, p. 88), "Accurate appraisals, based upon sound legal principles and made by competent, qualified appraisers, are necessary and required to properly protect the interests of the Government and to expedite payment of just compensation to property owners." The importance of sound appraisals cannot be

Reclamation Manual

Directives and Standards

overemphasized. It is the responsibility of the Regional Director, or the Regional Director's designated representative, to ensure that the appraiser's skills, experience, and knowledge are consistent with the type and complexity of the appraisal assignment to be performed. If there is any question regarding a particular individual's qualifications to perform specific appraisal services in compliance with Federal regulations and standards, the Regional Director or his designated representative shall consult with the Chief Appraiser, prior to a final selection. The following standards apply to the selection process.

A. **Appraisal Staff.** Reclamation's appraisal staff range from individuals who are classified as Appraiser, Appraising Series GS-1171 (United States Office of Personnel Management, Position-Classification Standards, TS-121, 1992) to individuals whose positions are classified as something other than appraiser, all of whom may have varying years and levels of appraisal experience and training. In the absence of qualified staff, appraisal services may be performed by qualified appraisers from other Federal agencies or may be contracted with private, fee appraisers. If available, it is important that an appraisal staff member become involved in contracting appraisal services, including:

- (1) assist in writing statements of work;
- (2) assist in selection of the best qualified individuals to perform specific appraisal assignments;
- (3) act as or assist the Contracting Officer's Technical Representative (COTR); and
- (4) be available to consult with fee appraisers regarding technical matters or issues, including applicable Federal regulations and standards.

B. **Fee Appraisers.** Whenever staff appraisers are not available, appraisal services can be contracted with fee appraisers. Fee appraisers are often contracted to perform condemnation and date-of-taking appraisals. The selection of an appraiser to perform a date-of-taking appraisal shall first be approved by the appropriate U.S. Attorney's Office. The COTR must ensure that the fee appraiser complies with these directives and standards and with the terms of the contract.

13. **Appraiser Qualifications.** The Competency Provision of USPAP (1996, p. 5) "requires an appraiser to have both the knowledge and the experience required to perform a specific appraisal service competently." FIRREA further requires appraisals be prepared by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. According to OMB Bulletin 92-06, Attachment A, each agency will establish criteria for appraiser qualifications, including when to require the use of Certified General Appraisers. The Regional Director, or the Regional Director's designee, is

Reclamation Manual

Directives and Standards

responsible for setting the qualifications necessary for individual appraisal assignments, and for the appropriate assignment of the work. If there is any question regarding the Competency Provision and/or the qualifications of a particular individual to perform specific appraisal services, the Regional Director should consult with either the Regional Appraiser or the Chief Appraiser.

A. **Appraisal Staff.** The following directives apply to qualifications for Reclamation staff performing appraisal services.

- (1) According to OMB Bulletin 91-05, Appendix II, "Federal agency staff appraisers (including agency reviewing appraisers) may be exempt from licensing or certification under State law, or Federal regulation or policy." Reclamation staff performing appraisal services are not required to be State Certified Appraisers.
- (2) Because of the complex nature of many of Reclamation's appraisals, appraisal staff are encouraged to become State Certified Appraisers. If funds are available and management approves, costs of appraisal training for staff members to prepare for the appraisal certification exam and to satisfy continuing education requirements for certification renewal may be covered by Reclamation.
- (3) Appraisal staff who become State Certified Appraisers in one State need not be certified in other States in which they perform appraisal services (OMB Bulletin 92-06, Attachment A1c).
- (4) According to OMB Bulletin 91-05, each agency has the responsibility to set the qualifications necessary for individual appraisal assignments to maintain public confidence in its appraisal programs.
- (5) Prior to independently performing appraisal services, beginning appraisal staff in Reclamation must successfully complete 130 hours or more of formal appraisal training, including the following courses offered by the American Society of Farm Managers and Rural Appraisers (ASFMRA): A-10, Fundamentals of Rural Appraisal, (42 hours + 4 hour exam); A-20, Principles of Rural Appraisal (40 hours + 4 hour exam); A-12, Uniform Standards of Professional Appraisal Practice Part II and III (15 hours + 1 hour exam); and A-15, Report Writing School – Appraisers (24 hours + 1 hour exam). The following training offered by the Appraisal Institute (AI) may be substituted for A-10, A-20, and A-12, respectively: 110, Appraisal Principles; 120, Appraisal Procedures; 410/420, Standards of Professional Practice, Part A (USPAP). It is also important that appraisal staff periodically take refresher courses and/or additional appraisal training which relates to their appraisal assignments.

Reclamation Manual

Directives and Standards

(6) In addition to formal appraisal training, it is recommended that beginning appraisal staff (with little or no field experience) gain adequate on-the-job training, prior to performing appraisal services. The amount of on-the-job training may vary between appraisal staff, depending upon their individual skills and capabilities. Such training can be acquired by working with experienced appraisal staff and/or private appraisers.

B. **Fee Appraiser.** In order to be qualified to perform Reclamation appraisals, fee appraisers must be State Certified Appraisers. Attachment A of OMB Bulletin 92-06 states "Appraisers licensed or certified in States having laws, policies, and procedures in compliance with Title XI of FIRREA are qualified to prepare and review real estate appraisal reports for Federal agency programs."

C. **Review Appraiser.** The position of review appraiser requires an individual with a minimum of 3 years or more of technical background, knowledge, and experience in the appraisal field.

14. Regional Appraiser – Duties and Responsibilities.

A. **Assist in Administering Regional Appraisal Program.** The Regional Appraiser assists management in administering the appraisal program in their respective regions and directs and/or works closely with staff appraisers and appraisal technicians. The Regional Appraiser shall provide information and confer with management and the Chief Appraiser on all potentially sensitive appraisal-related issues.

B. **Assist Staff Appraisers.** The Regional Appraiser provides leadership and guidance to Regional staff appraisers and appraisal technicians.

C. **Assist Solicitor's Office.** If requested, the Regional Appraiser assists the Solicitor's Office with appraisal-related matters in preparation for condemnation proceedings and/or court trials.

D. **Perform Appraisals.** The Regional Appraiser has the authority to perform appraisals.

E. **Review Appraisals.** With the exception of appraisals to file for condemnation and appraisals which they have personally prepared, the Regional Appraiser has the authority to perform appraisal reviews.

F. **Contract Appraisal Services.** The Regional Appraiser has the authority to: prepare and/or assist in the preparation of a statement of work to contract appraisal services, serve as the Contracting Officer's Technical Representative (COTR), assist in the

Reclamation Manual

Directives and Standards

selection of the best qualified appraiser for a particular appraisal assignment, and consult with fee appraisers on technically related appraisal issues.

- G. **Assist in Developing Appraisal Policy.** The Regional Appraisers will provide input and assistance to the Chief Appraiser in developing Reclamation's appraisal manuals, policies, and instructional guidelines.
- H. **Provide Appraisal Assistance to Other Regions.** If available and time permits, Regional Appraisers will confer with and provide assistance to other Regional Offices.

15. Chief Appraiser – Duties and Responsibilities.

- A. **Coordinate Bureau-Wide Appraisal Program.** In cooperation with management, the Chief Appraiser shall coordinate the Bureau-wide appraisal program.
- B. **Develop Appraisal Policies, Directives and Standards, and Guidelines.** In consultation with Regional and Area Offices, the Chief Appraiser shall develop Bureau-wide appraisal policies, directives and standards, and instructional guidelines.
- C. **Review Condemnation Appraisals.** The Chief Appraiser shall conduct the final review and approve all appraisals used to file for condemnation or for other condemnation purposes.
- D. **Review Appraisals Prepared by Regional Appraisers.** The Chief Appraiser or the review appraiser designated by the Chief Appraiser shall review and approve all appraisals prepared by Regional Appraisers.
- E. **Review Other Appraisals.** Upon request by a Regional or Area Office and, if available, the Chief Appraiser will perform other appraisal reviews, as needed.
- F. **Provide Assistance in Resolving Complex or Sensitive Appraisal Issues.** The Chief Appraiser shall provide assistance to Regional and Area Offices in resolving complex appraisal problems and potentially sensitive appraisal issues.
- G. **Conduct Program Reviews.** The Chief Appraiser shall periodically conduct reviews of Appraisal Programs in Regional and Area Offices and consult with Reclamation staff appraisers to ensure the integrity of the appraisal program and compliance with Federal regulations and standards. These reviews will involve working side-by-side with staff members in the field on diverse appraisal assignments.

Reclamation Manual

Directives and Standards

- H. **Provide Technical Assistance and Information.** The Chief Appraiser will provide ongoing technical assistance and information on appraisal-related issues to Regional, Area, and Washington Offices.